



STATE OF HAWAII

SUPPLEMENTAL CONTRACT NO. 1

TO CONTRACT dated July 1, 2007 regarding Traditional Drug Plan

(Insert contract number or other identifying information)

This Supplemental Contract No. 1, executed on the respective dates indicated below, is effective as of July 1, 2007, ~~2008~~, between the Hawaii Employer-Union Health Benefits Trust Fund

(Insert name of state department, agency, board or commission)

("STATE"), by its

Administrator

(Insert title of state officer executing contract)

(hereafter also referred to as the HEAD OF THE PURCHASING AGENCY or designee ("HOPA")), whose address is 201 Merchant Street, Suite 1520, Honolulu, Hawai'i 96813, and National Medical Health Card Systems, Inc. ("CONTRACTOR"),

a

Corporation

(Insert corporation, partnership, joint venture, sole proprietorship, or other legal form of the CONTRACTOR)

under the laws of the State of Delaware, whose business address and federal and state taxpayer identification numbers are as follows: 103 Foulk Road, Suite 202,

Wilmington, Delaware 19803; Federal ID. No. 11-2581812; Hawaii GE ID No. W20016854-01

26 Harbor Park Drive, Port Washington NY 11050

RECITALS

A. WHEREAS, the STATE and the CONTRACTOR entered into Contract For goods and services pertaining to the EUTF traditional prescription drug plan

(Insert contract number or other identifying information)

dated July 1, 2007, which was amended by Supplemental Contract No(s).
dated _____, _____, which was amended by Supplemental Contract No(s).
dated _____, _____, which was amended by Supplemental Contract No(s).
dated _____, _____ (hereafter collectively referred to as "Contract") whereby the CONTRACTOR agreed to provide the goods or services, or both, described in the Contract; and

B. WHEREAS, the parties now desire to amend the Contract.

NOW, THEREFORE, the STATE and the CONTRACTOR mutually agree to amend the Contract as follows: (Check Applicable box(es))

- ☐ Amend the SCOPE OF SERVICES according to the terms set forth in Attachment-S1, which is made a part of the Contract.
- ☒ Amend the COMPENSATION AND PAYMENT SCHEDULE according to the terms set forth in Attachment-S2, which is made a part of the Contract.
- ☐ Amend the TIME OF PERFORMANCE according to the terms set forth in Attachment-S3, which is made a part of the Contract.
- ☒ Amend the SPECIAL CONDITIONS according to the terms set forth in Attachment-S6 SUPPLEMENTAL SPECIAL CONDITIONS, which is made a part of the Contract.
- ☐ Recognize the CONTRACTOR'S change of name.

FROM:

TO: _____

As set forth in the documents attached hereto as Exhibit _____, and incorporated herein.

A tax clearance certificate from the State of Hawaii ☐ is ☒ is not required to be submitted to the STATE prior to commencing any performance under this Supplemental Contract.

A tax clearance certificate from the Internal Revenue Service ☐ is ☒ is not required to be submitted to the STATE prior to commencing any performance under this Supplemental Contract.

The entire Contract, as amended herein, shall remain in full force and effect.

IN VIEW OF THE ABOVE, the parties execute this Contract by their signatures, on the dates below, to be effective as of the date first above written.

STATE



(Signature)

James Williams

(Print Name)

Administrator

(Print Title)

2/28/08

(Date)

CORPORATE SEAL
(If available)

CONTRACTOR

NATIONAL MEDICAL HEALTH CARD SYSTEMS, INC.

(Name of Contractor)



(Signature)

George McGinn

(Print Name)

General Counsel

(Print Title)

2/12/08

(Date)

APPROVED AS TO FORM:



Deputy Attorney General

* Evidence of authority of the CONTRACTOR'S representative to sign this Contract for the CONTRACTOR must be attached.



STATE OF HAWAII

CONTRACTOR'S ACKNOWLEDGMENT

STATE OF New York)
) SS.
)
COUNTY OF Nassau)

On this 12th day of February, 2008 before me appeared
George McGinn and _____, to me
known, to be the person(s) described in and, who, being by me duly sworn, did say that he/she/they is/are
General Counsel and _____ of
National Medical Health Card Systems, Inc., the
CONTRACTOR named in the foregoing instrument, and that he/she/they is/are authorized to sign said
instrument on behalf of the CONTRACTOR, and acknowledges that he/she/they executed said
instrument as the free act and deed of the CONTRACTOR.

(Notary Seal)

(Signature)

Angel Rella

(Print Name)

Notary Public, State of New York

My commission expires: 7/17/10

ANGEL RELLA
Notary Public, State of New York
Registration No. 01626149/65
Qualified in Queens County
Commission Expires July 17, 2010



STATE OF HAWAII
CONTRACTOR'S
STANDARDS OF CONDUCT DECLARATION

For the purposes of this declaration:

"Agency" means and includes the State, the legislature and its committees, all executive departments, boards, commissions, committees, bureaus, offices; and all independent commissions and other establishments of the state government but excluding the courts.

"Controlling interest" means an interest in a business or other undertaking which is sufficient in fact to control, whether the interest is greater or less than fifty per cent (50%).

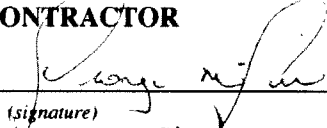
"Employee" means any nominated, appointed, or elected officer or employee of the State, including members of boards, commissions, and committees, and employees under contract to the State or of the constitutional convention, but excluding legislators, delegates to the constitutional convention, justices, and judges. (Section 84-3, HRS).

On behalf of National Medical Health Card Systems, Inc., CONTRACTOR, the undersigned does declare as follows:

1. CONTRACTOR ☐ is* ☒ is not a legislator or an employee or a business in which a legislator or an employee has a controlling interest. (Section 84-15(a), HRS).
2. CONTRACTOR has not been represented or assisted personally in the matter by an individual who has been an employee of the agency awarding this Contract within the preceding two years and who participated while so employed in the matter with which the Contract is directly concerned. (Section 84-15(b), HRS).
3. CONTRACTOR has not been assisted or represented by a legislator or employee for a fee or other compensation to obtain this Contract and will not be assisted or represented by a legislator or employee for a fee or other compensation in the performance of this Contract, if the legislator or employee had been involved in the development or award of the Contract. (Section 84-14(d), HRS).
4. CONTRACTOR has not been represented on matters related to this Contract, for a fee or other consideration by an individual who, within the past twelve (12) months, has been an agency employee, or in the case of the Legislature, a legislator, and participated while an employee or legislator on matters related to this Contract. (Section 84-18(b) and (c), HRS).

CONTRACTOR understands that the Contract to which this document is attached is voidable on behalf of the STATE if this Contract was entered into in violation of any provision of chapter 84, Hawaii Revised Statutes, commonly referred to as the Code of Ethics, including the provisions which are the source of the declarations above. Additionally, any fee, compensation, gift, or profit received by any person as a result of a violation of the Code of Ethics may be recovered by the STATE.

CONTRACTOR

By 

(signature)

Print Name George McGinn

Print Title General Counsel

Name of Contractor National Medical Health Card, Systems, Inc.

Date 2/12/08

***Reminder to agency:** If the "is" block is checked and if the Contract involves goods or services of a value in excess of \$10,000, the Contract must be Awarded by competitive sealed bidding under section 103D-302, HRS, or a competitive sealed proposal under section 103D-303, HRS. Otherwise, the agency may not award the Contract unless it posts a notice of its intent to award it and files a copy of the notice with the State Ethics Commission. (Section 84-15(a), HRS).



STATE OF HAWAII

COMPENSATION AND PAYMENT SCHEDULE

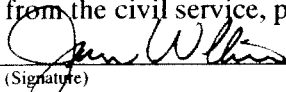
The parties agree that the compensation set forth in the original Contract misstated some terms regarding Contractor's compensation. The purpose of this Supplemental Contract No. 1 is to correct those terms and all such corrections shall be effective as of the effective date of the Contract, i.e., July 1, 2007. All the corrections are stated in Attachment-S6 of this Supplemental Contract No. 1. Except as expressly corrected by this Supplemental Contract No. 1, the terms and conditions of the Contract remain unmodified and in full force and effect.



STATE OF HAWAII

**CERTIFICATE OF EXEMPTION
FROM CIVIL SERVICE****1. By Heads of Departments Delegated by the Director of the Department of Human Resources Development ("DHRD").***

Pursuant to a delegation of the authority by the Director of DHRD, I certify that the services to be provided under this Contract, and the person(s) providing the services under this Contract are exempt from the civil service, pursuant to § 76-16, Hawaii Revised Statutes (HRS).



(Signature)

James Williams

(Print Name)

Administrator

(Print Title)

(Date)

2/28/03

* This part of the form may be used by all department heads and the heads of attached agencies to whom the Director of DHRD expressly has delegated authority to certify § 76-16, HRS, civil service exemptions. The specific paragraph(s) of § 76-16, HRS, upon which an exemption is based should be noted in the contract file. If an exemption is based on § 76-16(b)(15), the contract must meet the following conditions:

- (1) It involves the delivery of completed work or product by or during a specific time;
- (2) There is no employee-employer relationship; and
- (3) The authorized funding for the service is from other than the "A" or personal services cost element.

NOTE: Not all attached agencies have received a delegation under § 76-16(b)(15). If in doubt, attached agencies should check with the Director of DHRD prior to certifying an exemption under § 76-16(b)(15). Authority to certify exemptions under §§ 76-16(b)(2), and 76-16(b)(12), HRS, has not been delegated; only the Director of DHRD may certify §§ 76-16(b)(2), and 76-16(b)(12) exemptions.

2. By the Director of DHRD, State of Hawaii.

I certify that the services to be provided under this Contract, and the person(s) providing the services under this Contract are exempt from the civil service, pursuant to § 76-16, HRS.

(Signature)

(Date)

(Print Name)

(Print Title, if designee of the Director of DHRD)



STATE OF HAWAII
SUPPLEMENTAL SPECIAL CONDITIONS

The Addendum attached to the Special Conditions, Attachment-S5, of the original Contract (the “Addendum”) is amended as follows:

- A. Section 3.1(h) shall be deleted in its entirety and replaced with the following:
 - (h) Participant Identification Cards. The Manager shall provide Participant Identification Cards in NCPDP format with the Client’s name in black and white.
- B. Paragraph (c) of Section 4.4. shall be deleted in its entirety and replaced with the following paragraph (c):
 - (c) The Manager shall provide prior authorization services requiring clinical intervention for no additional fee.
- C. Exhibit A to the Addendum shall be deleted in its entirety and replaced with the attached Exhibit A.

EXHIBIT A
FEES AND PRICING RATES

Administrative Fees. The Manager will manage the Plan on behalf of the Client and provide the Services described herein for the following Administrative Fees:

Retail:	\$0.50 per paid claim
Mail Service:	\$0.50 per paid claim
Specialty:	\$0.50 per paid claim
Direct Participant Reimbursement (DMR)/Paper Claim:	\$1.50 per processed DMR claim

Retail Pharmacy. For prescriptions billed to the Client, electronically processed and dispensed to a Participant through the Manager's retail pharmacy network, the Client shall pay the Manager the following rates:

Brand-Name Drugs:	lesser of U&C or AWP minus 15.1%
Dispensing Fee:	\$1.87

Generic Drugs:	
MACed Items:	lesser of U&C or the Manager's MAC pricing.
Non-MACed Items:	lesser of U&C or AWP minus 15.5%
Dispensing Fee:	\$1.87

Mail Service Pharmacy. For prescriptions dispensed by the Manager through one of its mail service pharmacies to a Participant, the Client shall pay the Manager the following rates:

Brand:	AWP minus 24%
Dispensing Fee:	\$0.00

Generic:	AWP minus 55%
Dispensing Fee:	\$0.00

- If the Manager fails to achieve any pricing or discount guarantees pursuant to the terms set forth herein relating to retail pharmacy or mail service pharmacy, the Manager shall reimburse Client for the differences between the guaranteed discounts set forth above and the actual rates delivered.
- To prevent the disruption of services to Participants, the Manager's mail service pharmacy may dispense drugs even if the prescription is not accompanied by the correct copay, deductible, or coinsurance amount as applicable and the Client shall be liable to the Manager for such amounts if reasonable collection efforts by the Manager fail.

Manufacturer Rebates. One hundred percent (100%) of all gross formulary monies collected by NMHC related to drug utilization of the Plan Sponsor will be delivered to the Plan Sponsor.

General Notes

- The retail network pharmacy rates set forth above requires a 25% maintenance at retail (90 days supply) penetration.
- Dispensing fee refers to the amount paid to the participating pharmacy for filling a prescription. The Manager's contract pricing with participating pharmacies may be higher or lower than the Client contracted pricing. Pharmacy professional fees may be higher than quoted amounts for the use of those pharmacies or chains of pharmacies whose national network fee schedules do not allow for discounted dispensing fees. Non participating pharmacies in the discounted dispensing fee network may vary due to market factors.

- The discount off AWP set forth above is an effective average rate, in aggregate, as measured over the term of this Agreement. In calculating the effective AWP discount, the Manager may include the value of all other discounts delivered in connection with this Agreement including but not limited to other savings and reimbursements delivered hereunder by the Manager, including, but not limited to U&C, prior authorization and on-line DUR. Any excess discount or reimbursement delivered under any discount set forth above may be credited to any other discount or reimbursement contracted for under this Agreement.
- U&C or usual and customary refers to the retail price charged by a Member Pharmacy for the particular drug in a cash transaction on the date the drug is dispensed as reported to the Manager by the Member Pharmacy. U&C is estimated to be up to an additional 1.5% discount off the brand AWP. U&C is established by the retail pharmacy and is not controlled by the Manager. U&C is driven solely by the competitiveness of the pharmacy provider's marketplace for a specific drug at a specific time in order to create walk-in-business in their store. The Client is not charged a dispensing fee on U&C claims. If applicable to the Plan Design, in instances where the U&C discount is greater than the discount off AWP, the U&C discount shall apply to the aggregate book of business of the Manager, as measured over the term of this Agreement.
- "Single source generic drugs" or "Non-MAC generic drugs" are generic drugs that have either recently come off patent and do not generate discounts traditionally delivered by generic drugs, or have an exclusive pharmaceutical manufacturer. For purposes of pricing, single source generic drugs and Non-MAC generic drugs ordinarily will be treated as brand drugs.
- The Manager negotiates rebates and/or discounts over its aggregate book of business and not on behalf of any client. Rebates shall be based upon approved claims submitted on behalf of the Client, allocable to the Client. In addition, the Manager negotiates discounts on its own behalf as a purchaser of pharmaceutical products for its mail service and specialty pharmacies. The term rebates as used herein shall not include such discounts referred to in the prior sentence (ie. prompt pay discounts and bulk purchase discounts), which are not attributable to the Client's utilization and belong exclusively to the Manager. The rebate estimates are based on a qualified three tier plan design with a minimum copay differential of \$15 between preferred and non-preferred brand drugs and the Client's one hundred percent compliance with NMHC's preferred drug Formulary.
- The above estimated rebate amounts are respectively based upon an average 30 and 90 days supply prescription and NMHC's historical first quarter 2006 book-of-business experience. Due to the absence of detailed historical utilization information, should the actual program performance materially differ from the underlying assumptions used to develop this financial proposal or industry changes occur beyond NMHC's control, NHC reserves the right to revisit and proportionately adjust its estimate.
- All fees and rates are guaranteed during the term of this Agreement, but may be subject to change pursuant to the provisions set forth in this Agreement.

ADDITIONAL SERVICES

The following additional services are not included in the Manager's standard Administrative Fees and are available to the Client for an additional charge as set forth below:

Communication materials mailed directly to individual participants	No additional postage and handling fees
Clinical Prior Authorization: Prior Authorizations requiring clinical intervention	No additional charge
Ad hoc Reports: Customized reports other than ad hoc reports the Manager has available	\$150 per hour
Disease Management and Wellness Programs: Includes compliance, patient monitoring and outcomes	TBD
NMHC <i>Integrail</i> : Health Information Management services	TBD
Participant Survey Services	TBD